

**GOVERNMENT OF ANDHRA PRADESH**  
**Abstract**

Infrastructure & Investment Department - Establishment of FSRU based LNG Terminal at Kakinada Deep Water Port - In Principle approval accorded- Induction of M/s Shell with 26% Equity in the SPV– Orders – Issued.

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**INFRASTRUCTURE AND INVESTMENT (AIRPORTS-A2) DEPARTMENT**

**G.O.Ms.No. 4**

**Dated.19.07.2014**

**Read the following:**

1. G.O.Ms.No.8, I&I (Airports-A2) Dept., Dated.10-05-2013
2. Lr.No.APGDC/MD/5100/2013/86, dated.27-5-2013 received from MD, APGDC.
3. G.O.Ms.No.36, I&I (Airports-A2) Dept., Dated.12.2.2014

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In the G.O. 1<sup>st</sup> read above, in principle approval was accorded for establishment of FSRU Project at Kakinada and formation of SPV between A.P. Gas Distribution Corporation (APGDC) (74% Equity) and GDF SUEZ (26% Equity) for implementation of the project. Approval was also accorded for the proposed MoU to be signed between KSPL and APGDC.

2. In the letter 2<sup>nd</sup> read above, the MD, APGDC has reported that an MoU was signed on 13-05-2013 between M/s Kakinada Sea Ports Ltd. and the APGDC for implementation of the FSRU Project at Kakinada.

3. A meeting between APGDC, GAIL (Gas), GDF Suez and Shell was convened in New Delhi on 19-9-2013 to discuss options of partnership between parties for setting up of a re-gasification Terminal at Kakinada. In the said meeting after due deliberations, it was agreed by the stakeholders with a new equity sharing model with tolling rights in the proposed SPV. It was agreed in the meeting to take Shell in the SPV.

4. The above issue has been discussed in the High Level Meeting held on 12-12-2013 in which it has been decided to obtain the opinion of the Solicitor General of India on the proposed induction of M/s Shell in the SPV. It has also been decided to constitute a Committee of Officers to examine the issue and recommend further course of action.

5. In the reference 3<sup>rd</sup> cited, Government have constituted a Committee with the Secretaries from Finance Department, Revenue Department Industries & Commerce Department, Law Department & I&I Department to examine various options and suggest to the Government the way forward for inclusion of M/s Shell in the proposed FSRU Project at Kakinada and the equity to be shared between APGDC, M/s GDF SUEZ and M/s Shell in the Project.

6. The Committee met on 26.2.2014 and informed that it was a policy objective of the Government to set up an FSRU Project in the State and the first FSRU on the East Coast will always have the first – mover advantage and that it was of strategic importance for the State to have an FSRU at the present location. The Committee also noted that M/s Shell was an international market leader in the Natural Gas & LNG field with vast financial, technical & managerial expertise and the JV would benefit from the participation of Shell and that Shell would add overall financial market value to the proposed FSRU Project. The Committee has recommended that Shell may be provided 26% Equity in the SPV at par with GDF SUEZ.

7. After careful examination and keeping in view the opinion of the Solicitor General of India and recommendations of the above Committee, Government hereby issue the following orders.

- I. APGDC shall be allowed to take Shell at par in the SPV to be formed for executing FSRU Project.
- II. M/s Shell to be provided 26% equity in the SPV, with equal tolling rights at par with GDF Suez. APGDC will have 48% equity in the SPV with equal tolling rights.

**(P.T.O)**

- III. APGDC shall control the composition of the Board of the SPV for which necessary safe guards are to be provided in the Share Holders Agreement (SHA) to be signed for SPV.
  - IV. The equity structure of the APGDC will be restructured with APGIC holding 52% equity and GAIL Gas Ltd., holding 48% equity.
  - V. The management structure and other terms of SHA provisions already agreed upon between GAIL Gas and APGIC will not have any change and will remain same.
8. The Managing Director, A.P. Gas Distribution Corporation shall take necessary action.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**Dr.D.SAMBA SIVA RAO  
SECRETARY TO GOVERNMENT (FAC)**

To  
The Managing Director, AP Gas Distribution Corporation Limited, Hyd.  
The Director of Ports, Kakinada,  
The Executive Director, A.P. Gas Infrastructure Corporation (P) Ltd., Hyderabad  
The Chairman, M/s Kakinada Sea Ports Limited,

**Copy to:**

The Principal Secretary to Chief Minister,  
The Collector, East Godavari District,  
PS to Prl. Secretary to Government, Finance Department,  
PS to Secretary to Government, Law Department.  
PS to Secretary to Government, I&I Department (FAC)  
SF/SC.

**// Forwarded :: By Order //**

**SECTION OFFICER**